

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

PERIODIC REPORTING
(PROPOSAL ONE)

Docket No. RM2017-5

PETITION OF THE UNITED STATES POSTAL SERVICE REQUESTING
INITIATION OF A PROCEEDING TO CONSIDER A PROPOSED CHANGE
IN ANALYTICAL PRINCIPLES (PROPOSAL ONE)
(June 7, 2017)

Pursuant to 39 C.F.R. § 3050.11, the Postal Service requests that the Commission initiate a proceeding to consider a proposal to change analytical principles relating to the Postal Service's periodic reports. The proposal, labeled Proposal One, is discussed below, and in greater detail in the attached text and spreadsheets.

Proposal One seeks authorization to change the methodology used for measuring revenue and pieces in the Revenue, Pieces, and Weight (RPW) Report for insured, collect on delivery (COD), and registered extra services on domestic mailpieces bearing PC Postage indicia. Census sources of transactional extra service data under this proposal would replace corresponding ODIS-RPW statistical sampling estimates. If this request were approved, almost all insured, registered, and COD data

for RPW reporting would be from census systems.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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Proposal One

PROPOSED CHANGE IN RPW METHODOLOGY FOR USE OF PC POSTAGE INSURED, COD, AND REGISTERED DATA TO REPLACE ODIS-RPW STATISTICAL SAMPLING ESTIMATES

OBJECTIVE:

This request asks for a change in RPW reporting methodology for insured, COD, and registered mail extra services associated with domestic mailpieces bearing PC Postage indicia from postage evidencing systems. The proposed methodology would replace Origin-Destination Information System – Revenue, Pieces, and Weight (ODIS-RPW) statistical sampling estimates with corresponding census transactional data. If this request were approved, almost all revenue and volume data for insured, COD, and registered mail transactions would be census derived.

BACKGROUND:

Prior Filings Regarding Replacement of Statistical Sampling Estimates

The Postal Service has submitted numerous requests for the replacement of statistical estimates with census (system) data. Recent dockets include: Docket No. RM2014-4 (Proposal One) for Self Service Kiosk and PostalOne!–related products of Merchandise Return Service and Business Reply Mail; Docket No. RM2015-15 for Click-N-Ship census data; Docket No. RM2016-1 for tying estimation methodology to letter mail end-of-run counts, and Docket No. RM2016-7 for introduction of additional census data for international outbound product RPW reporting. All such filings have been approved by the Postal Regulatory Commission. See Order No. 2101 (June 25 2014), Order No. 2732 (September 28, 2015), Order No. 2901 (December 18, 2015), and Order No. 3377 (June 17 2016).

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PC Postage

Postage meters and PC Postage products are collectively identified as “postage evidencing systems.” A postage evidencing system is a device or system of components a customer uses to print evidence that postage required for mailing has been paid. Postage evidencing systems print information-based indicia (IBI) to indicate postage payment. Mailers print indicia directly on a mailpiece or on a label that is affixed to a mailpiece. PC Postage is third-party vendor software approved by the Postal Service that mailers can use to pay for and print postage using a computer, printer, and internet connection. There are several PC Postage vendors.

RPW Reporting of Insured, Registered, and COD Extra Services

The current RPW methodology for insured, COD, and registered mail activity relies on several census sources in combination with statistical estimates from the ODIS-RPW probability sampling system. The census sources include PostalOne!, Point of Sale or POS, Self Service Kiosks or SSK, Click-N-Ship or CNS, and PC Postage vendor data for Negotiated Service Agreement (NSA) activity. ODIS-RPW is a probability-based destinating mail sampling system used to support the Postal Service's many and varied business needs for mail revenue and volume. ODIS-RPW primarily supplies official RPW estimates of revenue, volume, and weight for domestic single-piece stamped and metered mail.

One of the ODIS-RPW mail characteristics recorded by Statistical Programs data collectors is the indicia, or source payment. Indicia types include, but are not limited to, stamps, permit imprint, and IBI. PC Postage is a type of IBI with a two-dimensional barcode that mailers apply to their mailpieces. ODIS-RPW data collectors record a PC

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Postage mailpiece as IBI and indicate the specific PC Postage manufacturer. Other mail characteristics recorded by Statistical Programs data collectors include, but are not limited to, revenue, mail class, product, mail markings, and extra services.

Limitations with the Current Methodology

Data collection is always challenging in the fast-moving timeframe around mail arrival to the post office, distribution to the carriers, and carrier pull-down for street delivery. Unintended errors could occur in the sampling of mail and recording.

In addition, ODIS-RPW is a statistical sampling system that produces point estimates with sampling error. Census information does not have sampling error. Using transactional data reduces sampling error, and one would expect to have equal or improved data quality. Finally, in view of the fact that the FY2016 ACD on pages 61 and 62 discussed the disparity between costs and revenues for the COD product in FY2016, note that the potential increase in COD revenue shown in the section below presenting the Impact of the proposed methodology would have improved the FY2016 cost coverage substantially.

PROPOSAL:

The proposed RPW methodology would switch from sample data provided by ODIS-RPW for insured, COD, and registered mail extra services to corresponding PC Postage census data provided by reports from the Retail Data Mart or RDM.¹

¹ The Retail Data Mart is a reporting system relied upon by RPW. See, for example, Docket No. RM2015-15 for a discussion of its use in terms of Click-N-Ship reporting.

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RATIONALE:

The proposed change in methodology provides a complete census source of transactional-level data of almost all PC Postage insured, COD, and registered mailpieces. These data are used to form revenue and volume characteristics needed for RPW reporting. As data for new PC Postage mailers come on line in the future, it is anticipated that those census data would be incorporated into RPW reporting as well.

IMPACT:

As a measure of the impact of switching from ODIS-RPW statistical sampling estimates to census data, a comparison was made for the FY2016 time period. Table A shows the FY2016 changes at the RPW report level for that portion of each corresponding extra service that consists of pieces paid via PC Postage or meters. Shown are revenue and pieces incorporating the new census sources ('proposed'), the ODIS-RPW or 'current' report totals, the differences, and the differences expressed as a percent change. The results in Table A show that, under the proposed methodology, reported revenue for this subset of insured mail would have been 126 percent higher and volume would have been 67 percent higher. Reported revenue for this subset of COD mail would have been 1967 percent higher and volume would have been 1305 percent higher. Reported revenue for this subset of registered mail would have been 48 percent higher and volume would have been 40 percent higher. (Note that these subsets currently constitute relatively minor portions of the services in question, as PC Postage and meter pieces constituted only small fractions of the volume originally reported in the FY 2016 RPW for insured, COD, and registered – approximately 5 percent, 7 percent, and 10 percent, respectively. Note additionally, however, that under

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the proposed methodology, PC Postage and meter pieces would have been approximately one-half of total COD pieces in FY 2016.)

Table A
Comparison of Proposed and Current Methodologies
PC Postage And Meters (Non-Contract)
Insured, COD, and Registered Mail, FY 2016

Proposed		Activity (000)		Rev/Pc
Row	Extra Service	Revenue	Pieces	
[1]	Insured	\$3,494	1,200	\$2.9
[2]	COD	\$2,106	200	\$10.5
[3]	Registered	\$3,459	273	\$12.7
[4]	Grand Total	\$9,060	1,673	\$5.4

Current		Activity (000)		Rev/Pc
Row	Class	Revenue	Pieces	
[5]	Insured	\$1,546	718	\$2.2
[6]	COD	\$102	14	\$7.2
[7]	Registered	\$2,334	195	\$12.0
[8]	Grand Total	\$3,982	928	\$4.3

Differences:		Revenue		Pieces	
Row	Class	Level (000)	Percent	Level (000)	Percent
[9]	Insured	\$1,949	126%	482	67%
[10]	COD	\$2,004	1967%	186	1305%
[11]	Registered	\$1,125	48%	78	40%
[12]	Grand Total	\$5,078	128%	745	80%